BARITO PACIFIC BRPT IJ

HOLD

TARGET PRICE	IDR2,000
UP/DOWNSIDE	+3.6%
CLOSE	IDR1,930

The next evolution

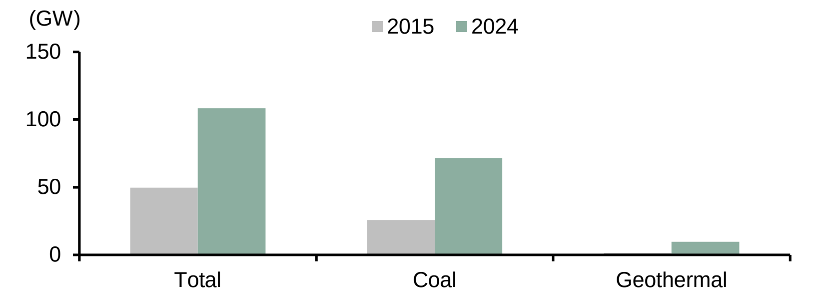
- **Initiate coverage at HOLD; TP IDR2,000**
  We initiate coverage of Barito Pacific (BP) at HOLD with a TP of IDR2,000. BP is a holding company whose key asset is a 46.3% stake in Chandra Asri (CAP), Indonesia's sole naphtha cracker with a global-scale ethylene capacity of 860ktpa.

- **Riding Chandra Asri's upturn**
  BP's share price has risen 240% in the past 12m (vs JCI +10%), riding on CAP's earnings turnaround, which benefited from a well-timed capacity expansion and rising chemical margins. We expect CAP's earnings to moderate in the next two years, but to remain at mid-to-upcycle levels.

- **Power – the next growth phase**
  BP plans to expand into power for its next growth phase via the proposed acquisition of Star Energy Group Holdings (SEGH), Indonesia's largest geothermal producer. SEGH has a good track record with BCPG (Thailand's largest renewable power company) recently acquiring a third of the company for USD357m.

- **Strong track record but fully valued at present**
  Long term, we believe BP is well placed to create value with this proposed power acquisition and second cracker project at CAP, underpinned by BP's track record at accretive acquisitions. For now, however, we believe that BP is fairly valued as CAP's earnings have most likely peaked and the SEGH acquisition is still only proposed.

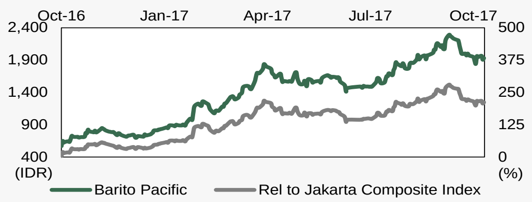
Indonesia's power capacity expansion



Source: PLN

KEY STOCK DATA

YE Dec (USD m)	2016A	2017E	2018E	2019E
Revenue	1,961	2,336	2,425	2,639
Rec. net profit	132	128	97	110
Recurring EPS (USD)	0.0094	0.0092	0.0069	0.0079
EPS growth (%)	n/m	(2.8)	(24.5)	13.8
Recurring P/E (x)	15.1	15.6	20.6	18.1
Dividend yield (%)	0.0	0.0	0.0	0.0
EV/EBITDA (x)	5.3	4.4	5.7	5.7
Price/book (x)	2.4	1.6	1.5	1.5
Net debt/Equity (%)	5.7	(22.3)	(19.1)	(12.5)
ROE (%)	16.9	12.1	7.5	8.2



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(15.7)	19.1	240.1
Relative to country (%)	(16.4)	17.0	211.5

Next Results	November 2017
Mkt cap (USD m)	1,993
3m avg daily turnover (USD m)	5.2
Free float (%)	28
Major shareholder	Prajogo Pangestu (71%)
12m high/low (IDR)	2,290/623
3m historic vol. (%)	39.7
ADR ticker	-
ADR closing price (USD)	-
Issued shares (m)	13,960

Sources: FactSet estimates; BNP Paribas estimates

Yong Liang Por
yongliang.por@asia.bnpparibas.com
+852 2825 1877

Investment thesis

We initiate coverage of Barito Pacific (BP) at HOLD with a TP of IDR2,000. BP is a holding company whose key asset is a 46.3% stake in Chandra Asri Petrochemical (CAP), Indonesia's only naphtha cracker. BP has benefited from CAP's turnaround and plans to expand into power for its next growth phase via the proposed acquisition of Star Energy Group Holdings (SEGH), Indonesia's largest geothermal producer.

Long term, we believe BP is well placed to create value with this proposed diversification into Indonesia's power sector and second cracker project at CAP, underpinned by BP's track record at accretive acquisitions. At this point, however, we believe BP is fairly valued as CAP's earnings have most likely peaked and the SEGH acquisition is at a preliminary stage.

We value BP using SoTP, applying a 25% holding company discount to our valuation of CAP and valuing other components of BP on 1x 2018E PBV. We exclude the valuation of SEGH since the acquisition is not yet complete.

Catalyst

We believe key positive catalysts could come from the proposed acquisition of Star Energy and entry of new partners for new IPP contracts.

Risk to our call

Upside risks to our SoTP-based TP include: 1) rising chemical prices and margins; and 2) the proposed acquisition of Star Energy being less dilutive than expected. Downside risks include: 1) a spike in oil prices; and 2) the proposed acquisition of Star Energy being more dilutive than expected.

Company background

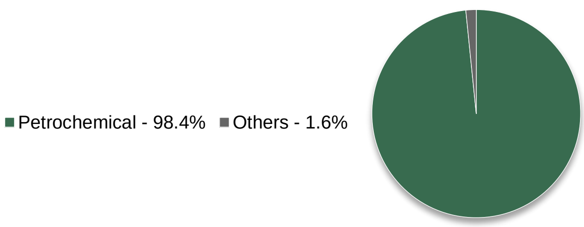
Barito Pacific was established in 1979 in as a timber-based company. Following the Asian financial crisis, Barito wound down the timber operations and turned to chemicals with the acquisition of Chandra Asri and Tri Polyta in 2007 and 2008, respectively.

Key executives

	Age	Joined	Title
Prajogo Pengestu	73	1993	Chairman and President Commissioner
Agus Salim Pengestu	44	2013	President Director
Rudy Suparman	58	2017	Vice President Director
Salwati Agustina	57	2003	Director/Secretary
Henky Susanto	61	2003	Director

www.barito.co.id

Principal activities (revenue, 2016)



Source: Barito Pacific

Event calendar

Date	Event
1Q18	Proposed acquisition of Star Energy
1H18	ECA for Indo Raya Tenaga's new coal power plants
4Q18	FID on Chandra Asri's new cracker

Key assumptions

(USD/t)	2015	2016	2017E	2018E	2019E
Ethylene-naphtha	611	687	650	530	560
PE-naphtha	669	634	660	570	610
PP-naphtha	662	642	580	560	640
BD-naphtha	410	750	900	680	860

Source: BNP Paribas estimates

Earnings sensitivity

	--- Worst case ---		---- Base case ----		---- Best case -----	
	2018E	2019E	2018E	2019E	2018E	2019E
PE-naphtha (USD/t)	430	460	530	560	630	660
Change (%)	*(19)*	*(18)*			*19*	*18*
Net profit (USD m)	83	97	96	109	108	121
Change (%)	*(13)*	*(11)*			*13*	*11*

Source: BNP Paribas estimates

- We estimate each USD100/t change in PE margin would impact net profit by 11-13% for 2018-19, all else equal
- We estimate each USD100/t change in PP margin would impact net profit by 18-19% for 2018-19, all else equal
- We estimate each USD100/t change in BD margin would impact net profit by 5-6% for 2018-19, all else equal.

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Executive summary

PT Barito Pacific TBK (BP) is a holding company whose key asset is a 46.3% stake in PT Chandra Asri Petrochemical TBK (CAP), which is the operator of Indonesia's sole integrated naphtha cracker. CAP constitutes over 95% of BP's assets, revenues and net profits at present.

In 1979, BP began operations as a timber and woods-based producer but downsized this business following the Asian financial crisis. Subsequently, BP turned to chemicals via the acquisition of PT Chandra Asri in 2007 and of PT Tri Polyta in 2008. These two assets were merged to form CAP in 2011.

This strategy came to fruition with a sharp rise in CAP's profits to USD300m in 2016 from USD26m in 2015, which stemmed from CAP's well-timed capacity expansion at end-2015 and an increase in regional chemical margins as a result of strong demand and China supply-side reform, which curtailed chemical production.

BP is turning to power for its next growth phase. In December 2016, it entered an MOU to acquire a majority stake in Star Energy Group Holdings (SEGH), Indonesia's leading geothermal power producer, from BP's controlling shareholder Mr Prajogo Pangestu.

While we do not have enough details on BP's acquisition terms to judge the merits of the deal, we note that:

- SEGH's three geothermal plants have a good track record of operational stability and profitability.
- BCPG (BCPG TB, Not rated), Thailand's largest renewable power company, acquired a 33% stake in SEGH in July 2017 for USD357m.

BP expects to complete the audit of SEGH by end-2017 and proceed with a rights issue to fund the acquisition of the remaining 67%. If BP acquires SEGH for the same price as BCPG, BP would need to raise over USD700m, which is around a third of its current market capitalisation.

Long term, we believe that BP is well placed to create value with this proposed diversification into Indonesia's power sector and second cracker project at CAP, underpinned by BP's track record at accretive acquisitions.

We value BP using a SoTP methodology, applying a 25% holding company discount to our valuation of CAP and valuing other components of BP on 1x 2018E PBV. We derive a TP of IDR2,000. We exclude the valuation of SEGH since the acquisition is not yet complete. As there is less than 10% upside to our TP from the current share price, we initiate at HOLD.

Upside risks to SoTP-based TP include: 1) rising chemical prices and margins; and 2) the proposed acquisition of Star Energy being less dilutive than expected. Downside risks include: 1) a spike in oil prices; and 2) the proposed acquisition of Star Energy being more dilutive than expected

Valuation methodology

We value BP using a SoTP methodology, which we believe is the most suitable approach as BP is at present primarily a holding company with CAP as its main asset. The key underlying assumptions here are:

- We value CAP using an ROCE methodology, based on a 2017-19E ROCE of 21.0%, WACC of 8.5% and terminal growth rate of 2%. This results in an EV/CE multiple of 2.9x, from which we derive our market value of USD5.7b.
- We use a holding company discount of 25%, the median of the past seven years, and apply it to BP's 46.3% stake in CAP.

Consequently, we derive a TP of IDR2,000, and with less than 10% upside to our TP from the current share price, we initiate at HOLD.

Exhibit 1: BP – target price derivation

	Unit	Value	Comments
Chandra Asri (46.3% stake)	USD m	2,060	BNPP TP with 25% holdco disc.
Plantation, timber & property	USD m	61.1	At 1x 2018E P/BV
Net cash/(debt)	USD m	7.3	Standalone 2017E
Implied market capitalisation	USD m	2,128	
Price target	IDR/share	2,000	

Source: BNP Paribas estimates

In our universe of petrochemical companies, we believe the most similar company to BP is GS Holdings (GSH) in South Korea, as GSH owns a 50% stake in GS Caltex (South Korea's second largest refinery) and stakes in retail, power and E&P assets. We believe GSH would present a good roadmap for BP as a holding company that has developed strong operating assets and pays an attractive dividend.

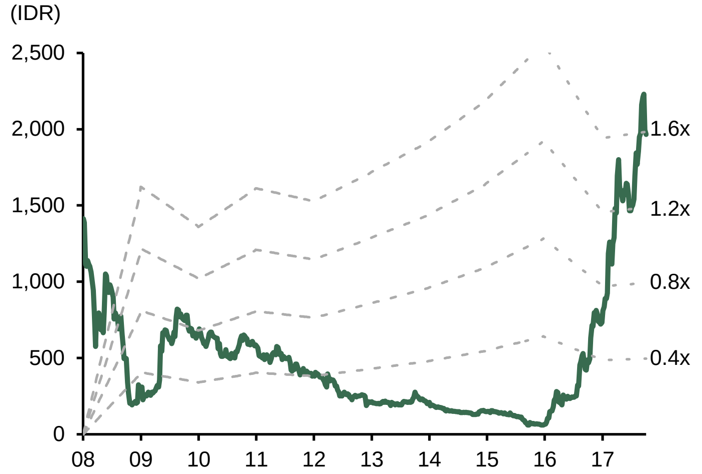
In comparison to peers, both CAP and BP trade at premiums to their peers. We believe this primarily stems from CAP's valuation premium, which we think can be justified as CAP is: 1) the only naphtha cracker in Indonesia; 2) an Indonesian company operating in USD; and 3) the 12th largest component of the Jakarta Composite Index. In this context, BP's market value, which is at a 31% discount to its 46.3% stake in CAP, does not appear expensive, in our view.

Exhibit 2: Peer comparison

Company	BBG	Rating	Mkt.cap	Price	TP	-------- P/E --------		-------- P/BV --------		-------- ROE --------		------ Div yield ------		---- EV/EBITDA ----	
						2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E	2017E	2018E
			(USD b)	(LC)	(LC)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Chemicals															
CAP	TPIA IJ	HOLD	6.4	24,350	22,500	19.5	23.9	3.8	3.5	23.3	15.3	2.1	1.7	11.3	13.6
Hanwha Ch	009830 KS	NR	4.9	33,400	NA	5.5	6.2	0.9	0.8	17.3	13.6	1.1	1.1	6.9	6.9
Lotte Titan	TTNP MK	NR	2.9	5.36	NA	11.2	9.3	0.9	0.9	9.8	10.2	3.0	4.1	6.3	4.9
Holding co															
GSH	078930 KS	Buy	5.6	66,700	73,000	5.8	6.7	0.8	0.7	14.6	11.4	2.7	3.0	6.8	7.2
BP	BRPT IJ	Hold	2.0	1,930	2,000	15.6	20.6	1.6	1.5	12.1	7.5	0.0	0.0	4.4	5.7
Renewables															
Energy Dev	EDC PM	NR	2.1	5.71	NA	11.5	10.2	1.9	1.7	17.3	18.1	4.3	4.3	8.2	7.7
First Gen	FGEN PM	NR	1.3	18.54	NA	8.2	7.7	0.9	0.8	8.9	8.9	1.9	1.9	5.6	5.3
BCPG	BCPG TB	NR	1.3	21.7	NA	19.0	15.7	2.9	2.7	16.3	17.7	2.8	3.3	15.0	12.9

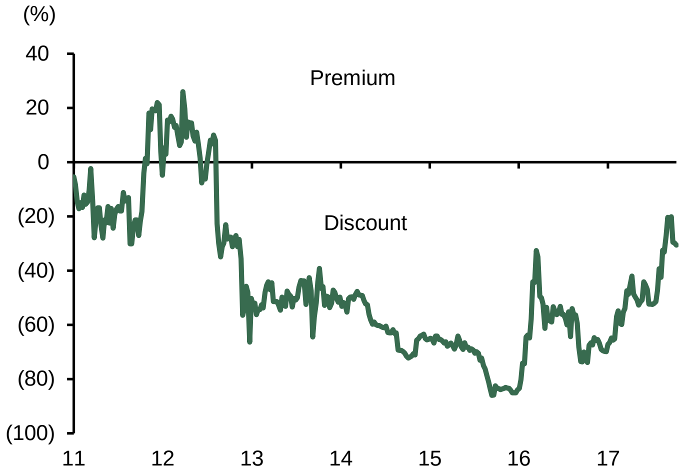
As of 18 October 2017. Estimates for non-rated stocks are from Bloomberg consensus.
Sources: Bloomberg; BNP Paribas estimates

Exhibit 3: BP – forward P/BV band chart



Sources: Bloomberg; BNP Paribas estimates

Exhibit 4: BP – market value relative to stake in CAP



Sources: Bloomberg; BNP Paribas estimates

Riding Chandra Asri's upturn

In 2016, BP turned around from six years of net losses to a net profit of USD132m. This was due to key subsidiary Chandra Asri Petrochemical (CAP) recording a historical high net profit of USD300m, a larger net profit than the cumulative net profit generated prior to 2016. We attribute this turnaround to the following factors.

Well-timed capacity expansion

Since beginning operations in 1995 as PT Chandra Asri (CA), CAP has embarked on a steady and well-timed expansion strategy:

- CA expanded its cracker to 600k tpa (+80k tpa) and acquired PT Styrindo Mono Indonesia (SM capacity of 340k tpa) in 2007.
- CA merged with PT Tri Polyta Indonesia TBK in 2011 and the surviving entity changed its name to CAP, adding Polypropylene (PP) capacity of 480k tpa.
- CAP completed a 100k tpa Butadiene extraction unit at the end of 2013.
- At end-2015, CAP completed a major debottlenecking exercise, expanding ethylene capacity to 860k tpa (+260k tpa).

Through these expansions, CAP expanded total production capacity from 1.5m tpa in 2005 to the present capacity of 3.3m tpa, bringing CAP's naphtha cracking capacity close to the 1m tpa level, which is considered world-scale. We believe the newly achieved economies of scale were a significant factor in CAP's record-high EBITDA margin of 26% in 2016, which is in line with levels achieved by regional peers.

With a total land size of 134 hectares in Cilegon, West Java, CAP has room for expansion, and has announced the projects listed below. Altogether, we expect these to generate additional revenue of USD300m pa (based on BNPP chemical price projections) when fully complete, equivalent to 16% of total revenue in 2016.

Exhibit 5: CAP's expansion plan

Category	Product	New capacity ('000 tpa)	Cost (USD m)	Start up	Annual revenue (USD m)
Debottlenecking	Butadiene	37	42	2Q18	54
	PP	80	15	3Q18	98
	Ethylene	40	45	1Q21	48
Expansion	SBR*	120	570	1Q18	215
	PE	400	300	3Q19	516
	MTBE	130	100	3Q20	104
	Butene 1	43			32

* 45% JV
Source: PT Chandra Asri Petrochemical TBK

CAP is presently conducting a feasibility study for the construction of a second petrochemical complex in Indonesia at a site adjoining the current complex. This complex is targeted to have an ethylene capacity of 1mtpa and is expected to cost USD4b-5b, according to CAP.

To defray the cost of the project, CAP is in discussions with various third parties as potential partners. We believe that Siam Cement is a potential partner, as it already owns a 30% stake in CAP and has announced that it is studying this project.

As this project is at a preliminary stage, we base our estimates of the projects' potential contribution on the assumptions detailed in the table below. Based on current product prices, we estimate that this chemical complex could generate annual revenues of USD2.6b and operating profits of USD400m.

Exhibit 6: Hypothetical configuration of new cracker

	Capacity ('000 tpa)	Revenue (USD m)
Naphtha cracker		
Ethylene	1000	
Propylene	500	
Butadiene	150	
Benzene	300	
Downstream		2,595
PE	1000	1,200
PP	500	570
SM	375	375
SBR	250	450

Source: BNP Paribas estimates

Synergies from Siam Cement partnership

In September 2011, Siam Cement acquired a 30% stake in CAP from PT Barito Pacific TBK (7%) and Temasek Holdings (23%) for a cash consideration of IDR3.8t (USD425m), equivalent to IDR4,088/share.

Siam Cement's acquisition of CAP is part of its strategy to build its presence in the ASEAN region. In this regard, Indonesia represents Siam Cement's most important investment destination, accounting for 55% of its total assets in ASEAN markets. At present, Siam Cement owns stakes in 20 Indonesian companies which employ over 5,700 employees.

We believe that Siam Cement has brought the following benefits to CAP:

- Improved operational capability with a team of managerial and technical experts from Siam Cement led by Mr Kulachet Dharachandra, VP Director of Operations and Mr Piboon Sirinantanakul, Director of Manufacturing.
- Introducing new technology such as Siam Cement's emisspro, a high emissivity coating for industrial furnaces designed to achieve greater energy efficiency.
- Procurement synergies which enable CAP to purchase naphtha at lower prices. CAP also sends pygas to Siam Cement for benzene extraction, which is returned to CAP for SM production via a tolling arrangement.
- Lowering interest expenses through increased access to Thai banks which has resulted in the average cost of debt falling to 6% in 2014-16 compared to 15% in 2011-13.

Steady chemical cycle despite moderating ethylene

At present, the ethylene chain (ethylene and PE) is the main contributor of CAP's operating profit, constituting around 60% of operating profit in 2016. Ethylene has been on an upcycle since 2011, and the YTD margin of USD718/t is slightly higher than last year's record level, and equivalent to an EBITDA margin of over 40%.

The current ethylene upcycle has enjoyed an unprecedented run due to the following factors: 1) the sharp decline of oil prices from late 2014 which boosted demand as a result of falling prices; 2) significant delays to new projects resulting in an average global capacity growth of only 1.9% pa from 2011-16; and 3) concern over large capacity expansions in the US leading to industry players being cautious about capacity expansion.

We believe that the ethylene cycle will peak in 1H17 and fall from 4Q17 onwards, when a series of large new US ethane crackers start up. These plants are being built by global majors such as ChevronPhillips, Dow and Exxonmobil and are on target to meet their start-up schedules, according to the companies.

We expect the ethylene cycle to turn downwards in 2018 before stabilising in 2019 and tightening in 2020. Overall, we expect only a moderate decline as we estimate global ethylene utilisations to trough at 89% in 2018, similar to 2014-15 levels.

Also, we believe that the ethylene down-cycle is likely to be mitigated as a result of the following supply-side measures that were implemented in China last year:

- An increase in coal prices since April 2016 due to a combination of production curbs and strong demand growth, which has increased production costs of coal-chemicals.

- A freight rate hike since September 2016, which has caused trucking freight rates to rise by 30%.

- China chemical production growth which has sharply slowed due to a combination of unfavourable economics and frequent environmental inspections.

- Higher environmental standards, for example, in the form of more stringent emissions standards, sewage treatment, which have significantly increased chemical production costs in China.

- The prospective ban on imports of waste plastics effective from January 2018 onwards, which is likely to reduce availability of recycled plastics, increasing the demand for virgin plastic resins.

Gradual recovery in PP, BD and SM

In the past two years, ethylene has taken centre stage, but we believe that going forward, profit contributions from CAP's other key products – PP, BD and SM – are likely to become more important. In 2016, we estimate that PP, BD and SM contributed 22%, 14% and 4% respectively to operating profit.

In 2016, margins of PP were strong, of BD recovered while of SM were stable. In 10M17, PP margins slipped, BD margins rose strongly while SM margins were stable.

We expect margins of these three products to gradually improve over the coming years, as we expect demand growth to remain steady at 3-4% pa, but capacity growth to lag demand growth.

The primary reasons for the slowing capacity growth are:

- Most ethylene additions over the coming years will be based on ethane feedstock. Cracking ethane only yields ethylene and no other by-products unlike cracking naphtha, which yields the whole slate.

- Butadiene and SM were in a down-cycle in 2014-15 and as a result have seen slowing additions due to weak profitability.

Power – the next growth phase

In December 2016, BP entered a Memorandum of Understanding (MOU) with entities owned by BP's controlling shareholder, Mr Prajogo Pangestu, to acquire the majority shares in Star Energy Group Holdings (SEGH), Indonesia's leading geothermal power producer.

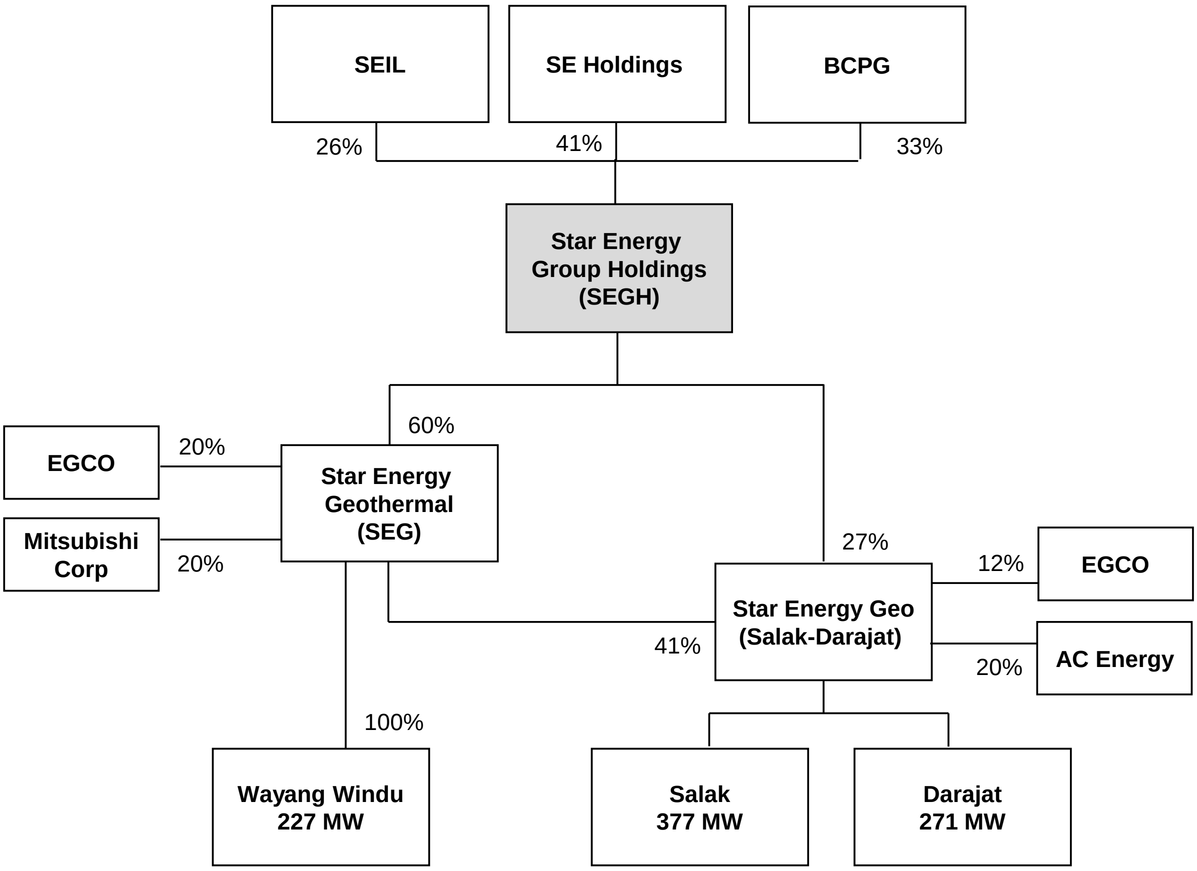
This proposed acquisition would provide BP with a second core business, diversifying BP's earnings from the cyclical chemical sector into more stable power generation, which has good long-term growth prospects with the added benefit of being a green energy provider.

In March 2017, BP announced that it had secured a USD250m loan to support its plan to acquire SEGH. BP expects to finish the audit process of Star Energy, proposes to fund the acquisition with a rights issue, and targets to complete the acquisition in 1Q18.

Background to SEGH

SEGH is Indonesia's leading geothermal power producer, and in partnership with EGCO, Mitsubishi Corp and Ayala, has a controlling stake in three projects in Java with a combined capacity of 875MW on a consolidated basis, making it the largest geothermal producer in Indonesia and the third largest globally.

Exhibit 7: Star Energy organisation structure



Effective stake (%)			
SEGH	60.0	51.6	51.6
EGCO	20.0	20.2	20.2
BCPG	20.0	17.3	17.3

Source: Company

The key milestones for SEGH are:

- SEGH entered the geothermal business with the 100% acquisition of Wayang Windu in 2005, which then operated a 110MW geothermal plant that started up in 2000.
- In June 2007, Star Energy Investment Limited (SEIL), which is 60% owned by Mr Prajogo Pangestu, acquired a 71% stake in SEGH for USD300m, with Ashmore Investment acquiring the remaining 29% stake.
- In 2009, Mitsubishi Corp acquired a 20% stake in Star Energy Geothermal (SEG), which operates Wayang Windu for USD200m, reducing SEGH's stake in Wayang Windu to 80%.
- In 2014, EGCO, Thailand's largest independent power producer, acquired a 20% stake in SEG for USD215m, reducing SEGH's stake in Wayang Windu to 60%
- In March 2017, a consortium consisting of SEGH, EGCO and AC Energy acquired Chevron's geothermal assets in Indonesia for USD2b, which consist of two plants with a combined capacity of 648MW, equivalent to an acquisition price on an EV basis of USD3.5m/MW.
- In July 2017, BCPG, Thailand's leading renewable power company, acquired a 33.3% stake in SEGH for USD357m from SEIL, equivalent to an acquisition price on an EV basis of USD4.3m/MW.

Power assets with good track record

SEGH's power assets have a good track record of reliable performance and steady profitability. Their key features include:

- They are contracted to provide base-load power to Perusahaan Listrik Negara (PLN), the national electricity company of Indonesia, under take-or-pay terms.
- The energy sales contracts' end dates are still a long way off, with the earliest agreement expiring in 2040.
- The technical adviser appointed by BCPG has commented that all the plants are well maintained in excellent condition with a very high level of stability.
- With the acquisition of Chevron's assets, SEGH now has the biggest and most experienced team of geothermal engineers in Indonesia.

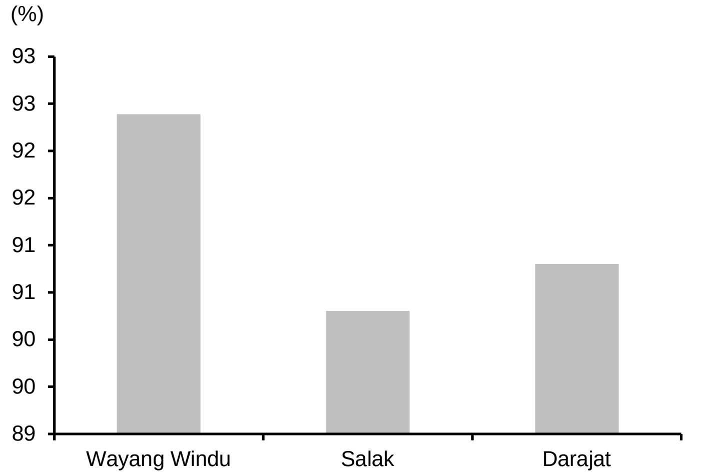
Exhibit 8: Summary of SEGH's geothermal power plants

Asset	Unit	Capacity (MW)	COD	Expiry	Sales	Current tariff (USCt/KWh)	Take-or-pay (%)	2016 EBITDA (USD m)
Wayang Windu	Unit 1	110	2000	2052	Electricity	9.6	95	145
	Unit 2	117	2009			9.6		
	Unit 3-4	120	2020-22			N/A		
Salak	Unit 1-3	180	1994-97	2040	Steam	6.2	95	141
	Unit 4-6	197	1997		Electricity	7.2	90	
Darajat	Unit 1	55	1994	2047	Steam	5.1	80	92
	Unit 2-3	216	2000-07		Electricity	6.4-7.1	95	

Source: Company

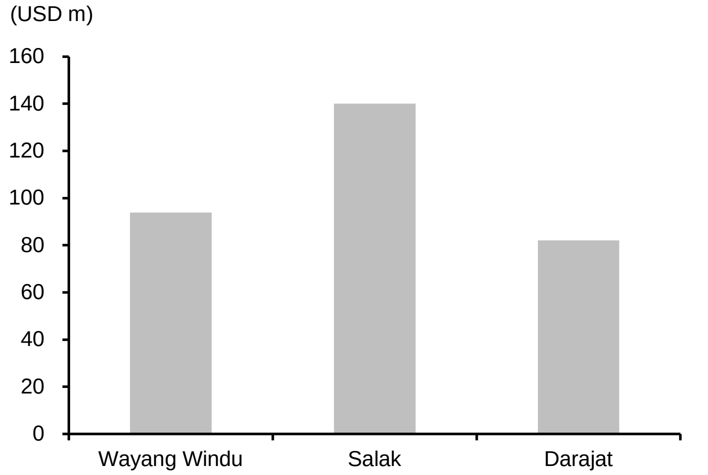
Historically, all three power plants have run at capacity factors of above 90%. The only major incident in the past five years was a landslide that halted operations at the Wayang Windu plant from May-September 2015, causing the capacity factor to fall to 65% in 2015. Due to their strong operational performance, these power plants have been able to generate stable annual EBITDA of USD82m-140m each in the past three years. With annual maintenance capex of up to USD15m each in the same time frame, these plants have generated strong FCF.

Exhibit 9: Historical 5-yr average capacity factor



Source: Company

Exhibit 10: Historical 3-year average EBITDA (per annum)



Source: Company

Exhibit 11: Key operational and financial metrics of SEGH assets

	2014	2015	2016
Capacity factor			
Wayang Windu	100	65	na
Salak	90	90	na
Darajat	94	95	na
EBITDA			
Wayang Windu	91	46	145
Salak	140	138	141
Darajat	77	77	92
Total	308	262	378
Net profit			
Wayang Windu	19	(7)	53
Salak	80	77	79
Darajat	43	43	54
Total	141	113	186

Source: Company

More upside to come

We observe that SEGH has a track record of creating value. In the longer term, we believe that SEGH can continue to create value via these steps:

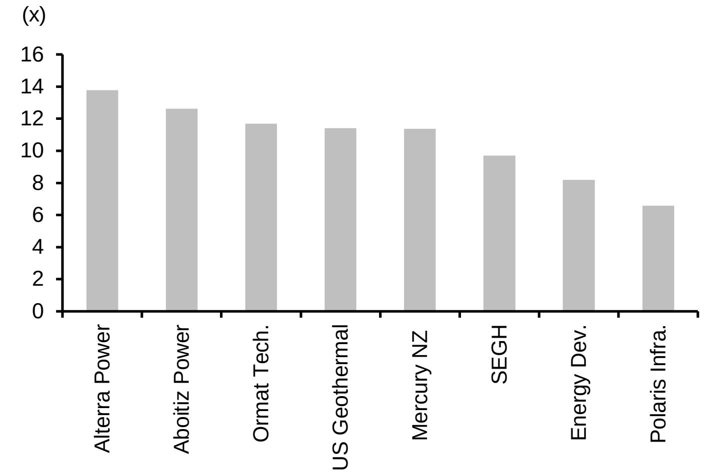
- Securing higher tariffs for existing projects as an incentive for companies to increase exploration efforts to expand geothermal power production. For example, in 2016, Wayang Windu received a power tariff increase of 49.2%. We estimate that each USD0.1/KWh increase in power tariffs would boost EBITDA of the Salak and Darajat assets by USD50m pa.
- Adding geothermal capacity with SEGH considering the addition of new units at Wayang Windu (+60MW) and Salak (+55MW) by 2023.
- With the acquisition of Chevron assets, we believe that SEGH now has the strongest engineering team in Indonesia, with over 120 experienced personnel, making it well positioned to discover and commercialise more geothermal projects in the future.

BCPG acquisition multiples appear relatively fair

In this case, we see EV/EBITDA as the most accurate method to make relative comparisons with peers. In this regard, we calculate that BCPG's acquisition of a 33% stake in SEGH was done at a 2017E EV/EBITDA multiple of 9.2x.

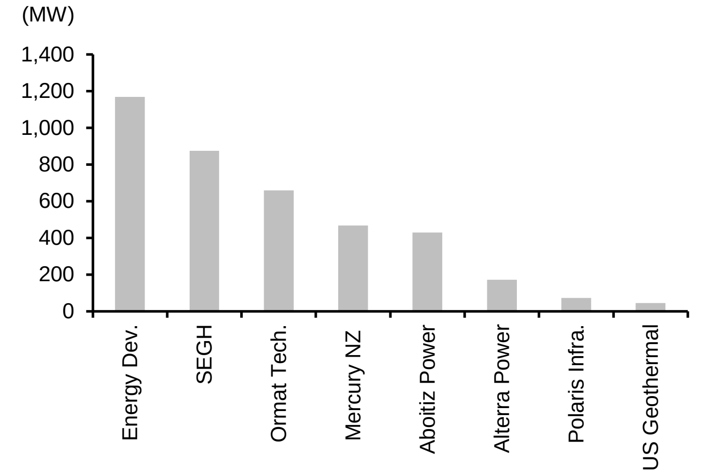
Based on a peer comparison, we believe that BCPG's acquisition multiple appears fair as the regional average is 10.7x. Arguably, SEGH could justify a valuation premium vs its peers as it is amongst the world's largest listed geothermal companies with a wide project portfolio and good track record.

Exhibit 12: 2017E EV/EBITDA peer comparison



Sources: Bloomberg; Companies

Exhibit 13: 2016 power capacity comparison



Sources: Bloomberg; Companies

Potential participation in new 2,000MW coal-fired power plants

On 18 August 2017, BP and PT Indonesia Power (IP) established a joint venture, PT Indo Raya Tenaga (IRT), targeting to build two new coal-fired power plants with a combined capacity of 2,000MW in Banten province, at an approximate cost of USD4b. BP has a 49% stake in IRT, with IP owning the remaining 51%.

We believe that IRT is confident of securing this project, as a conditional power purchase agreement (PPA) has been signed and it has already invited bidders to participate in the bidding process for the EPC project. Based on our assumptions of a IRR of 12% and WACC of 8%, we estimate the NPV of the project at present to be USD1.6b.

Earnings outlook – riding on CAP

BP's earnings mirror CAP's earnings, since CAP is the key operating asset within BP. In 2016, BP's net profit rose to record high of USD132m, benefiting from a strong turnaround in CAP's earnings due to:

- CAP increased plant utilisation to 90% in 2016 from 57% in 2015 with the completion of major maintenance and 43% y-y expansion in olefin capacity.
- An increase in olefin margins, which saw ethylene and butadiene margins rising by USD79/t and USD340/t y-y in 2016.

In 1H17, BP's net profit rose USD67m (+37% y-y). The bulk of the y-y gains came in 1Q17, when CAP's profit rose to a record high of USD108m (+206% y-y) as chemical margins were unusually strong due to a combination of strong demand and production restrictions in China.

BP's consolidated balance sheet also largely reflects CAP's balance sheet, which we expect to have turned into a net cash position of USD395m at end-2017 following the completion of the rights issue which raised USD378m in September 2017.

On a standalone basis as of 30 June 2017, BP has cash of USD55m and debt of USD48m. There is also a debt of USD250m which was raised in March 2017 as down payment for SEGH.

BP's main cash inflow comes from CAP's dividend. We estimate CAP will pay out 40% of earnings over the next few years, which amounts to USD50m-61m pa for BP over 2017-19. As BP is readying to raise capital to fund the acquisition of SEGH, we do not think that it will be in a position to pay dividends for the foreseeable future.

Exhibit 14: BP – Key financials

(USD m)	2012	2013	2014	2015	2016	2017E	2018E	2019E
Sales	2,295	2,519	2,477	1,406	1,961	2,336	2,425	2,639
Gross profit	10	88	110	139	487	531	440	485
SG&A	(77)	(79)	(77)	(75)	(79)	(90)	(92)	(94)
Operating profit	(66)	8	32	65	408	441	348	391
Associates	0	0	4	(4)	(5)	(4)	3	4
Finance costs	(52)	(29)	(38)	(28)	(36)	(30)	(31)	(33)
Profit before tax	(146)	(14)	5	35	380	418	329	372
Income tax	23	(6)	(6)	(30)	(100)	(110)	(90)	(101)
Minorities	31	(5)	(7)	(10)	(148)	(172)	(144)	(161)
Net profit	(93)	(26)	(8)	(5)	132	136	96	109
EPS (US cents)	(1.3)	(0.4)	(0.1)	(0.1)	1.9	1.0	0.7	0.8
Ratios (%)								
Gross margin	0.5	3.5	4.4	9.9	24.9	22.7	18.2	18.4
EBIT margin	(2.9)	0.3	1.3	4.6	20.8	18.9	14.4	14.8
Tax rate	15.6	nm	nm	nm	26.4	25.0	25.0	25.0
Growth (y-y %)								
Operating profit	nm	nm	294	99	532	8	(21)	12
Net profit	nm	nm	nm	nm	nm	3	(30)	14
Balance sheet ratios (%)								
Net gearing	54.0	39.6	64.9	68.2	25.6	(32.2)	(32.0)	(28.0)
ROCE	(3.5)	0.2	2.0	2.3	19.3	20.6	14.9	14.6
ROE	(9.1)	(2.6)	(0.8)	(0.5)	10.0	7.6	4.3	4.3

Sources: Company; BNP Paribas estimates

SEGH acquisition should be accretive

We believe that BP's proposed acquisition of SEGH could be EPS accretive based upon these assumptions:

- BP successfully completes a rights issue to raise USD738m by issuing 6b new shares at IDR1600/sh.
- BP acquires SEGH at a similar valuation to BCPG, equivalent to 2017E EV/EBITDA of 9.2x and EV/MW of USD4.3m.
- SEGH assumes USD1.25b of debt to acquire its stakes in the Salak and Darajat assets, increasing its interest burden by around USD50m pa.

Exhibit 15: BP earnings – scenario analysis

	Unit	2018E	2019E
Net profit			
- Current	USD m	96	109
- with SEHG acquisition	USD m	145	165
EPS			
- Current	US cts/sh	0.69	0.78
- with SEHG acquisition	US cts/sh	0.73	0.83

Source: BNP Paribas estimates

Exhibit 16: BP – Dupont analysis

(%)	2012	2013	2014	2015	2016	2017E	2018E	2019E
Sales/IC	185	207	181	89	128	154	140	130
EBIT/Sales	(3)	0	1	5	21	19	14	15
EBIT ROIC	(5)	1	2	4	27	29	20	19
(EBIT-tax)/EBIT	66	23	80	54	75	75	74	74
ROIC	(3)	0	2	2	20	22	15	14
IC as % of CE	99	99	99	99	97	93	94	95
Returns on other IC	4	0	36	(19)	(10)	(3)	3	4
Other assets/CE	1	1	1	1	3	7	6	5
ROCE	(3)	0	2	2	19	20	14	14
CE/(equity + MI)	122	122	123	133	121	92	81	85
PAT/(EBIT - Tax)	161	(1,696)	(57)	(100)	10	6	3	3
(Equity + MI)/Equity	136	142	148	158	170	166	166	175
Net profit/PAT	133	80	57	15	419	695	1,437	1,236
ROE	(12)	(4)	(1)	(1)	17	12	7	8

Sources: Company; BNP Paribas estimates

Risks for Chandra Asri

- **Ethylene down-cycle may be more severe.** Currently, we forecast ethylene margins to only moderately decline to USD580/t in 2018 from USD650/t in 2017 despite large US capacity expansions as we expect global ethylene demand growth to remain strong at 3.8% pa over 2017-18. However, if demand growth were to falter, this would introduce downside risks to our margin forecasts.

- **Propylene margins may stay weak.** Currently, we forecast propylene margins to improve slightly to USD380/t in 2018 from USD360/t in 2017 as we forecast propylene capacity additions will slow. However, there is significant excess capacity at Propane Dehydrogenation (PDH) plants, which could choose to increase runs if LPG prices fall significantly below naphtha prices, thus hurting propylene margins.

- **Naphtha prices may rise sharply.** CAP's primary feedstock is naphtha, whose prices are linked to oil prices. In the event oil prices rise higher than our forecast due to geopolitical risks, this would significantly increase production costs for CAP while hurting naphtha cracking economics vs gas crackers and raising working capital requirements.

- **Plant mechanical failure** may lead to unplanned shutdown of operations, resulting in lower production and expensive repairs.

- **Single plant risk.** CAP currently operates in a single geographic area, consisting of a single train naphtha cracker and various downstream units. Any disruption to the cracker would result in significant production loss, in our view.

- **Competing projects start sooner than expected.** CAP faces future competition from two new crackers in the ASEAN region – Petronas's which is due to start in 2020-21 and Lotte Titan's which has a proposed 2022-23 start-up timeframe. If either of these plants were to start ahead of schedule, it would likely have an earlier-than-expected negative impact on regional chemical margins, in our view.

Risks for Star Energy

- **Plant failure**. There is a risk that each power plant may not be able to produce steam and electricity for the remaining period of the Energy Sale Agreement unless proper maintenance and repair plan is in place.

- **Production disruptions**. Natural disasters such as earthquakes, fire, storms or power system failure would disrupt operations of these plants. In addition, if the level of pressure in production wells is lower than prescribed, then the production well will be closed and a new well will have to be drilled. Drilling is costly and there is a risk that any new well cannot be used.

- **Land lease agreement or permit may not be renewed**. A few land leases covering an area of 315,344 square meters, representing 0.11% of the area used in the power plant business have expired or will expire in 2017. Therefore, there is a risk that power plants in area where licences have expired may be halted.

- **Ability to pay dividends may be hindered**. SEGH has borrowed around USD1.25b to acquire the Salak and Darajat assets from Chevron. As a result, SEGH may face limitations in its ability to pay dividends due to restrictions under conditions of the loan agreement.

Appendix 1: Company background

PT Barito Pacific Tbk (BP) was established in 1979 as PT Bumi Raya Pura Mas Kalimantan. In 1993, BP was listed on the Jakarta and Surabaya bourses (which later merged into the Indonesia Stock Exchange) as PT Barito Pacific Timber Tbk.

The listing proceeds were used to develop an industrial forest plantation programme to secure supply of logs for BP's wood processing mills, but after the Asian financial crisis, BP discontinued plywood production and downsized timber-based operations.

In 2007, BP undertook a key decision to make chemicals its new core business with the acquisition of a 70% stake in PT Chandra Asri (CA) for IDR9.7tr, which was financed via a rights issue of 4.36b share which raised USD985m. In 2008, BP acquired a 78% stake in PT Tri Polyta Tbk (TPI) for USD180m. In 2011, CA and TPI were merged to form PT Chandra Asri Petrochemical (CAP).

CAP is BP's key asset, constituting 95% of BP's assets, revenue and net profit in 2016. CAP operates the only naphtha cracker in Indonesia. After a major expansion plan completed in December 2015, CAP now has annual production capacity of: ethylene 860k tpa, propylene 470k tpa, pygas 400 k tpa and mixed C4 315k tpa.

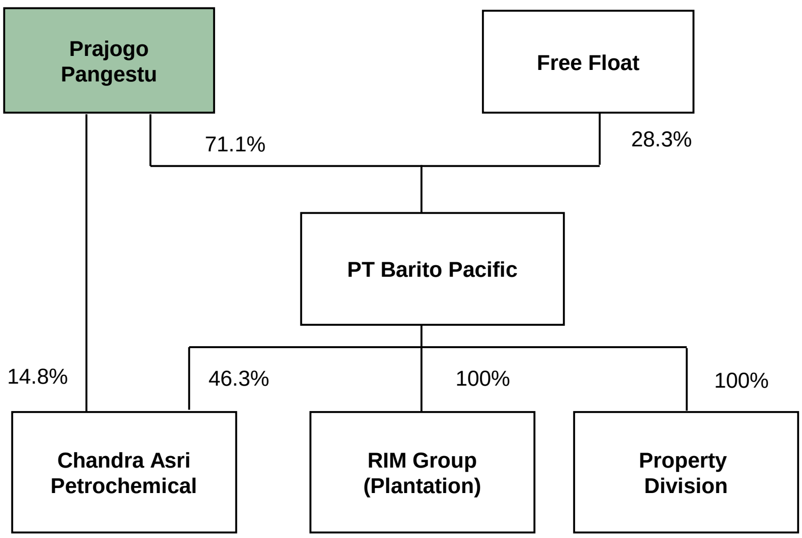
Over the past few years, BP's stake in CAP has fallen from 65% at start-2013 to 46.3% at present due the following events:

- In December 2013, CAP conducted a rights issue to increase its free float and fund CAP's expansion. A total of 220.8m shares were issued at IDR6,750/sh, raising USD128m. As BP did not take up the rights on offer, BP's direct stake in CAP fell to 60.5% from 64.9%.

- In April 2015, BP settled a USD146m debt with Magna Resources, a company controlled by Mr Prajogo Pangestu, by assigning 339.39m shares of CAP at a price of IDR5,600 to Magna Resources. As a result BP's direct stake in CAP fell to 50.1% from 60.5%.

- In September 2017, CAP conducted a rights issue with the objective of increasing its free float to meet regulatory requirements. A total of 279.7m shares were issued at IDR18,000/sh, raising USD378m. As BP did not take up the rights on offer, BP's direct stake in CAP fell to 46.3% from 50.1%.

Exhibit 17: BP organisation structure



Source: PT Barito Pacific TBK

BP is run by a strong management team consisting of:

- Mr Agus Salim Pangestu, aged 44, is the President Director of BP. He graduated from Boston College in 1994, worked at Merrill Lynch in 1995-97 and joined BP in 1997.
- Ms Salwati Agustina, aged 58, has served as the director of the company since June 2003. She is currently also the company's Corporate Secretary. She joined BP in 1988 and her latest position is General Manager of the Legal Department.
- Mr Henky Susanto, aged 61, is an independent director and he joined BP as the General Manager of Finance in 1991.
- Mr Rudy Suparman, aged 58, recently joined BP and currently sits on the board of directors as the Vice President Director. He has been Chief Executive Officer and President at Star Energy Geothermal (Wayang Windu) Limited since 2012.

Exhibit 18: BP Board of Directors and Commissioners

Name	Title	Age	Joined
Board of Directors			
Agus Salim Pangestu	President Director	44	2013
Rudy Suparman	Vice President Director	58	2017
Salwati Agustina	Director	58	2003
Henky Susanto	Independent Director	61	2003
Board of Commissioners			
Prajogo Pangestu	President Commissioner	73	1993
Harlina Tjandinegara	Commissioner	67	1993
Alimin Hamdy	Independent Commissioner	62	2014

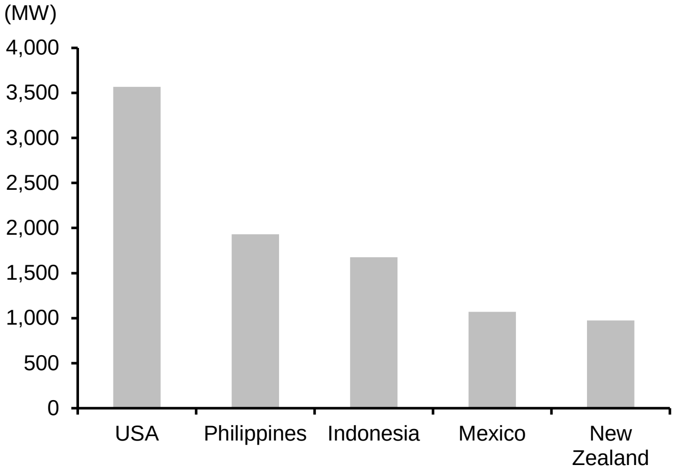
Source: Company

Appendix 2: Geothermal industry

Growing concerns over climate change about the impact of fossil fuels, as ratified at the Conference of Parties (COP21) in 2015, are creating a push towards renewable resources including geothermal power. The Global Geothermal Alliance (GGA), led by the International Renewable Energy Agency (IRENA), has promised to quintuple global geothermal capacity 65GW by 2030.

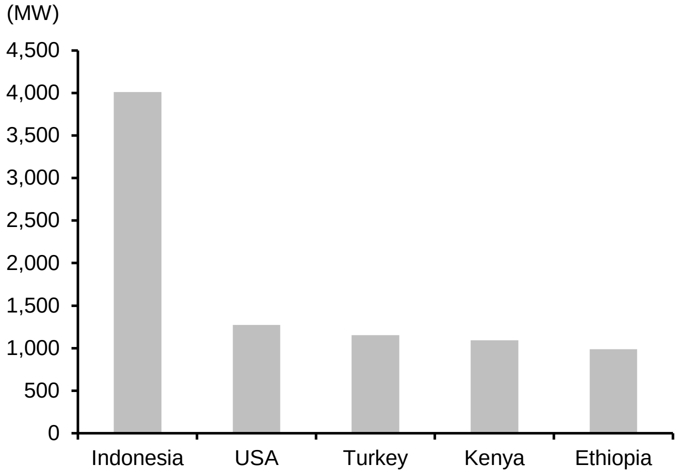
Geothermal energy is becoming increasingly important in markets where the necessary conditions exists, primarily in countries located around the 'ring of fire'. In 2015, the largest geothermal power producers were the US, the Philippines, Indonesia, Mexico and New Zealand. Currently, Indonesia has the most geothermal capacity under development.

Exhibit 19: Global top 5 geothermal power capacity by country (2015)



Source: Global Geothermal Power Production report

Exhibit 20: Global top 5 geothermal power capacity under development (2015)

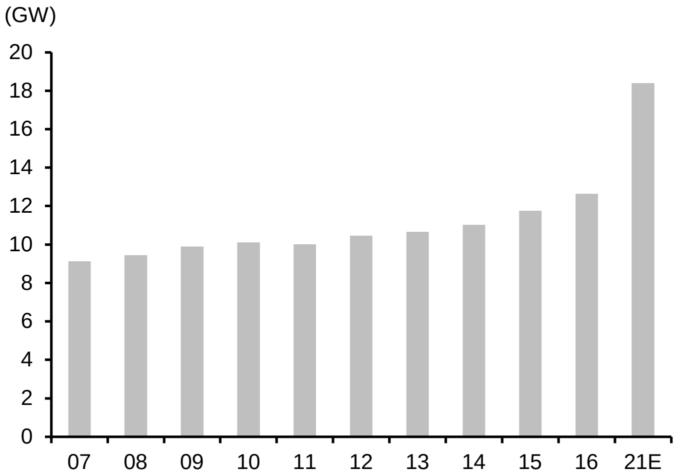


Source: Global Geothermal Power Production report

At end-2015, the global geothermal market's operating capacity was 13.3GW, which, based on projects under development, could rise to 14.5-17.6GW by 2020. In the context of global electricity output, this is less than 1% of total output in 2016.

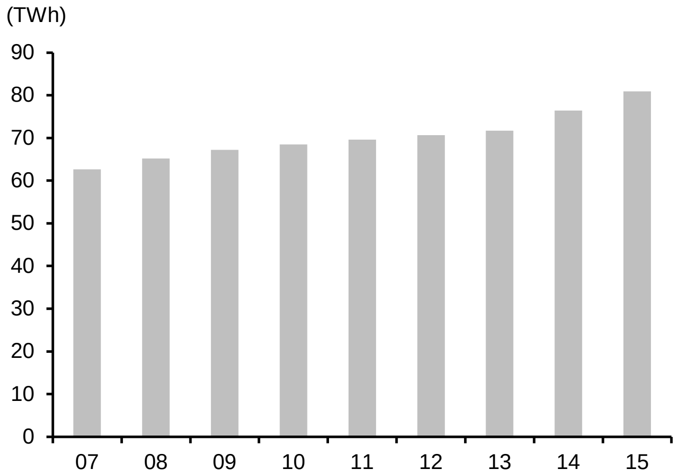
In the past decade, geothermal capacity has grown slowly, which IRENA attributes to a combination of permit delays, trouble in obtaining financing, lack of drilling expertise and the relatively easy alternative of fossil fuels in developing countries.

Exhibit 21: Global geothermal capacity



Source: IRENA

Exhibit 22: Global geothermal production



Source: IRENA

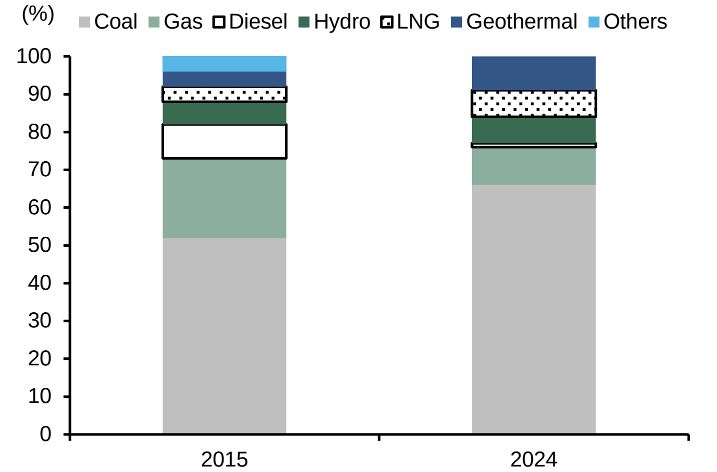
Indonesia's geothermal industry

Indonesia's electricity demand has grown at a historical 10-year CAGR of 6.3%, driven by the government's focus on improving the electrification ratio and steady economic growth.

The national electricity distributor, Perusahaan Listrik Negara (PLN), projects Indonesia's electricity demand to grow at a 10-year forward CAGR of 8%, evenly distributed amongst the residential, commercial and industrial sectors.

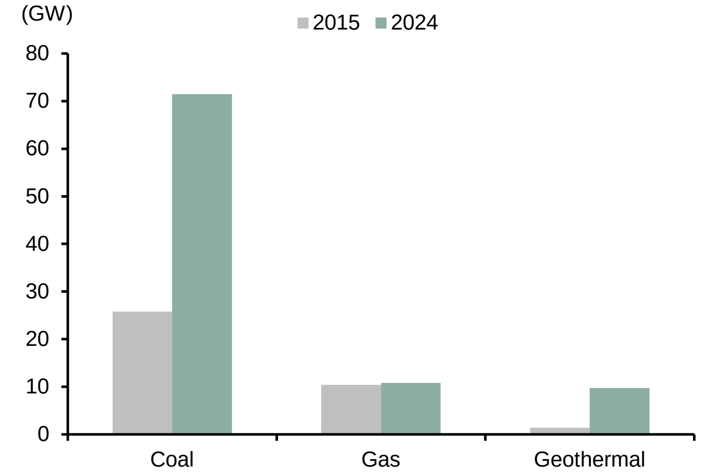
Based on these projections, PLN forecasts Indonesia's power demand to double over the next 10 years, and it has planned correspondingly large capacity increases. The bulk of increased capacity is to come from coal, but with a substantial increase in geothermal.

Exhibit 23: Indonesia's planned power by source



Source: PLN

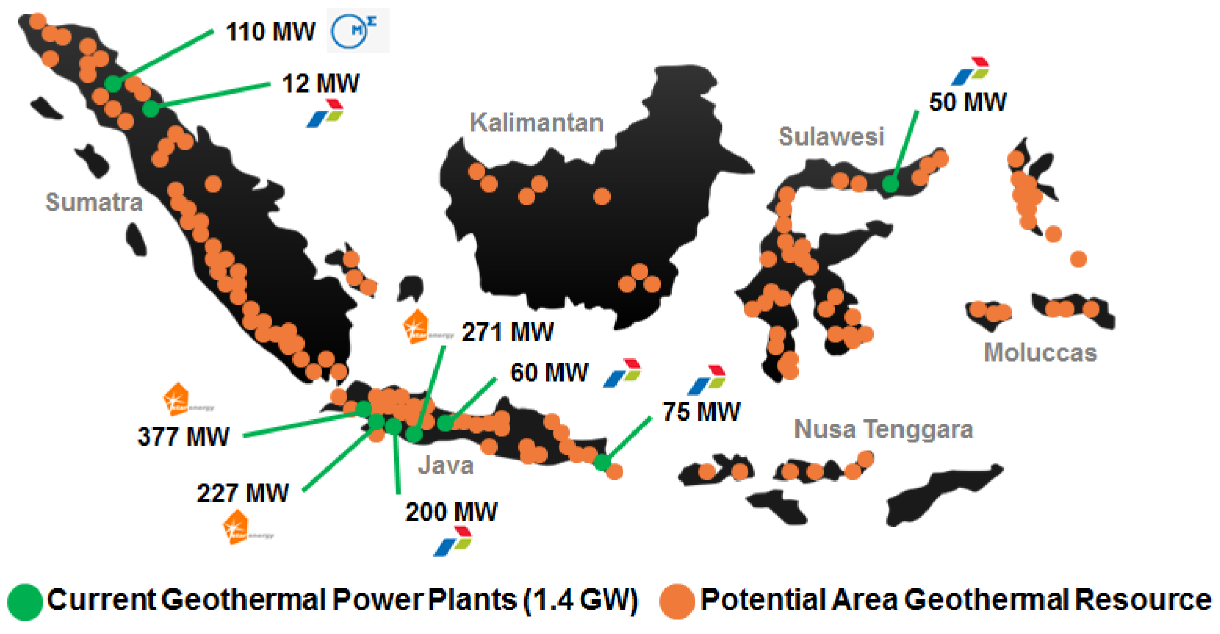
Exhibit 24: Indonesia planned power capacity by source



Source: PLN

According to IRENA, Indonesia possesses the world's largest geothermal resources, with 29.4GW of geothermal energy potential, of which only 5% or 1.4GW has been tapped. The exhibit below indicates Indonesia's current geothermal plants and potential areas for geothermal resources.

Exhibit 25: Indonesia's 2015 geothermal power plants and developments



Source: Electricity Power Supply Business Plan (RUPTL) by Perusahaan Listrik Negara (PLN – Indonesia Electricity) 2015-2024

To encourage geothermal power development, the Indonesian government has provided the following incentives under Republic Act No 9513:

- 10% corporate tax rate, seven years income tax holiday on new investments and 0% value-added tax.

- 10 years duty-free importation of machinery, equipment and materials.

- Compensated for losses for five years, which can be extended to 10 years by fulfilling certain criteria.

The challenges that Indonesia faces in expanding geothermal resources include:

- Economic challenges, such that tariffs are not sufficiently high to attract investors.

- Location challenges, as geothermal resources are often located in areas with poor access and infrastructure.

- Social challenges such as community opposition to geothermal well-drilling.

- Resource challenges, as deep technical expertise is required in geothermal projects to determine parameters such as temperature, permeability, reservoir depth and size.

In order to provide more incentives for development of geothermal projects, the Directorate General of Renewable Energy and Energy Conservation (EBTKE) has proposed the possible introduction of a new feed-in-tariff regime for new developments that would result in tariffs of 11-12.5UScts/KWh, a marked improvement from present geothermal tariffs of 5.1-9.65UScts/KWh.

Appendix 3: Geothermal fundamentals

Geothermal power plants have very low emission levels. They emit 99% less carbon dioxide than fossil fuel power plants of similar size and recycle their geothermal resources by re-injecting the used steam and water back into the earth.

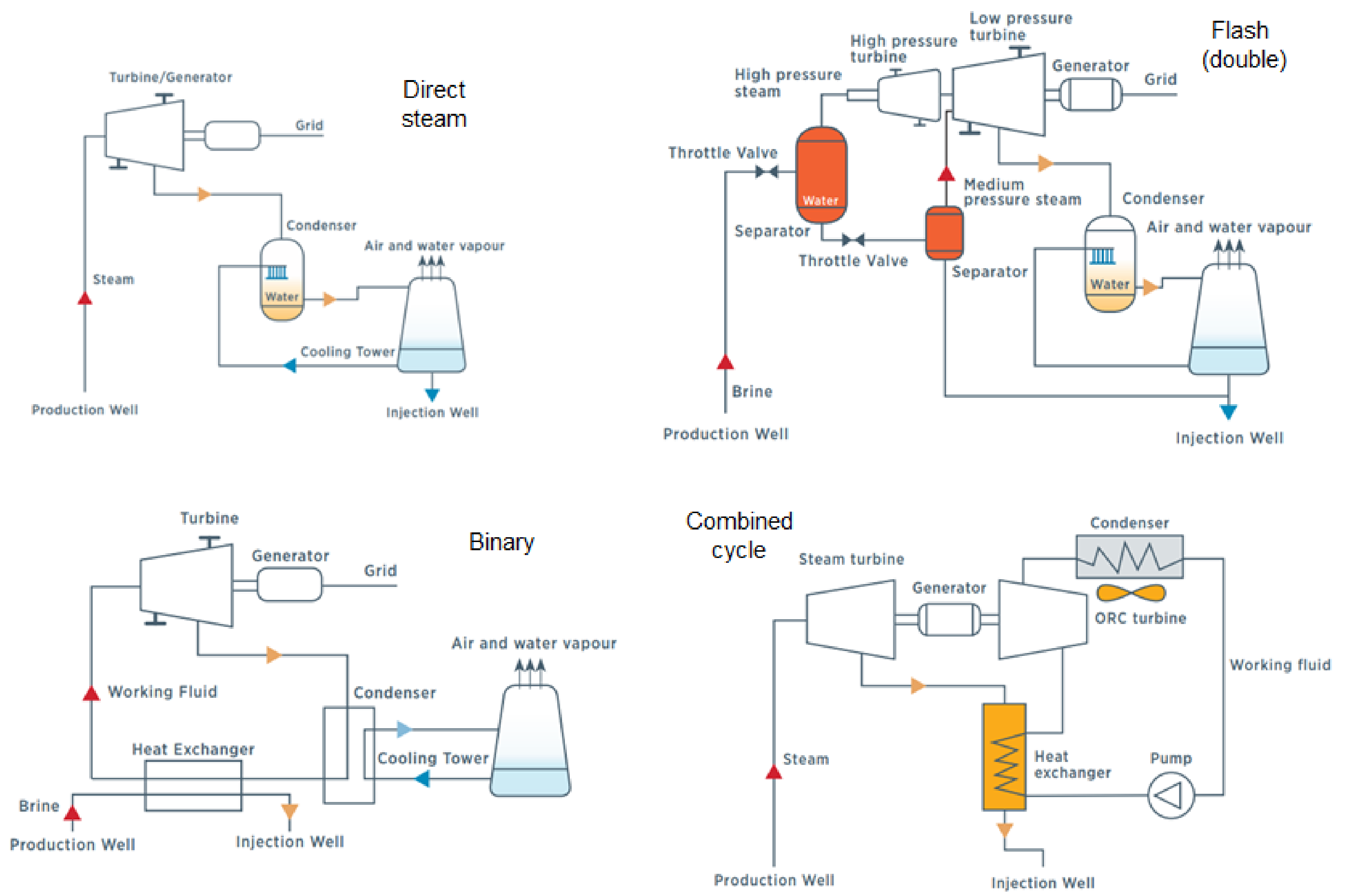
Geothermal power plants generate power by converting heat energy into hot water or steam from a geothermal source into electricity. The most active geothermal resource reservoirs are most commonly found along major tectonic plate boundaries.

To generate electricity from geothermal energy, the energy storage's temperature should be very high. If the energy source's temperature is greater than 180°C and the pressure is greater than 10 bars, the fluid will be in the state of hot steam mixed with hot water.

In the case that the energy source's temperature is less than 180°C, a working fluid (low point boiling liquid such as Freon, Ammonia or Isobutene) is required to capture the heat from the hot water and create vapour, which produces higher pressure so that a turbine can generate electricity.

There are four types of geothermal power plants:

Exhibit 26: Types of geothermal power plants



Source: IRENA, 2017

- **Direct steam plants** use steam to propel turbines, which drive generators that produces electricity. Condensers recover the steam and transform it into water. The condensate is either re-injected or used in the cooling towers. This type of plant uses steam of 150°C or higher and ranges in size from 8-140 MW.

- **Flash plants** are similar to direct steam plants except the steam is obtained from "flashing", a process during which steam is produced from brine (water saturated with salt) in a separator. This type of plant works best with temperatures of 180°C or higher and ranges in size from 0.2-80 MW (single flash), 2-110 MW (double flash) and 60-150 MW (triple flash).

- **Binary plants** use heat exchangers in which low temperature geothermal resources heat low boiling point working fluids which propel turbines and drive generators. This type of plant uses resources of temperatures ranging from 100-170°C and less than 1-50MW in size.

- **Combined-cycle or hybrid plants** combine a different heat source into their process compared to stand-alone geothermal power plant. Projects under development include hybrid plants with solar photovoltaics, biomass and hydropower. This type of plant ranges in size from a few MW to 10 MW.

The most common type of geothermal power plant is flash plants. Their power generation process is as follows:

- **Production well:** Production wells are drilled into the geothermal reservoir. Hot fluid is piped to the surface in the form of pure steam (steam dominated field) or a combination of steam and hot water (liquid dominated field).

- **Separator:** The steam-water mixture is piped to separators via wellheads and the “flashing” process produces more steam using the extracted steam-water mixture (no separation for direct steam power plants).

- **Scrubber:** The steam is piped to scrubbers where the remaining water is removed.

- **Power plant:** The high quality steam is piped to the power plants, goes through turbines, drives the turbine shafts coupled to a generator and delivers electricity. The electricity is then transferred to load centres and later distributed. The exhausted steam is condensed to water which is used in the cooling tower or re-injected back into the geothermal reservoir.

Corporate governance

Board structure

Number of Independent Directors (ID) and Independent Commissioners (IC)	1 ID and 1 IC
Percentage of Independent Board Members (ID/IC)	29%
ID/IC participation/attendance at board meetings	85%
ID/IC participation in audit/remuneration committees	Yes
ID/IC terms (years of service, re-election/replacement procedures)	3 years

Sources: Barito Pacific; BNP Paribas

Audit Practices

Auditor	Satrio Bing Eny & Partner (Deloitte Indonesia)
Length of service	10+ years
Reporting incidents	N/A
Fee track record	USD 70,000 (2016)
Policy on change of Audit firm	Stable

Sources: Barito Pacific; BNP Paribas

Compensation and remuneration

Directors' remuneration vs. earnings/ROE/share performance	Based on firm financial performance and individual performance Total remuneration was USD 7.6 m in six-months ending June 2017
Changes/stability in senior management	1 director appointment in 2017
Incidents of termination of senior management	N/A
Track record on Insider sales	N/A

Sources: Barito Pacific; BNP Paribas

Shareholders' rights

Communication - shareholder participation in AGMs/EGMs	N/A
Related party transactions	N/A
Voting issues - policies, incidents of rejected proposals	N/A

Sources: Barito Pacific; BNP Paribas

Financial statements

Barito Pacific

Profit and Loss (USD m) Year Ending Dec	2015A	2016A	2017E	2018E	2019E
Revenue	1,406	1,961	2,336	2,425	2,639
Cost of sales ex depreciation	(1,190)	(1,374)	(1,717)	(1,893)	(2,063)
Gross profit ex depreciation	**216**	**587**	**619**	**532**	**576**
Other operating income	0	0	0	0	0
Operating costs	(75)	(79)	(93)	(91)	(93)
Operating EBITDA	**142**	**508**	**527**	**440**	**483**
Depreciation	(77)	(100)	(88)	(91)	(91)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**65**	**408**	**439**	**349**	**392**
Net financing costs	(25)	(23)	(25)	(21)	(23)
Associates	(4)	(5)	(4)	3	4
Recurring non operating income	(4)	(5)	(4)	3	4
Non recurring items	0	0	0	0	0
Profit before tax	**35**	**380**	**410**	**330**	**372**
Tax	(30)	(100)	(110)	(90)	(101)
Profit after tax	**5**	**280**	**300**	**240**	**271**
Minority interests	(10)	(148)	(172)	(144)	(161)
Preferred dividends	0	0	0	0	0
Other items	0	0	0	0	0
Reported net profit	**(5)**	**132**	**128**	**97**	**110**
Non recurring items & goodwill (net)	0	0	0	0	0
Recurring net profit	**(5)**	**132**	**128**	**97**	**110**
Per share (USD)					
Recurring EPS *	(0.0004)	0.0094	0.0092	0.0069	0.0079
Reported EPS	(0.0004)	0.0094	0.0092	0.0069	0.0079
DPS	0	0	0	0	0
Growth					
Revenue (%)	(43.2)	39.5	19.1	3.8	8.9
Operating EBITDA (%)	28.9	258.2	3.7	(16.4)	9.7
Operating EBIT (%)	98.9	531.9	7.5	(20.5)	12.3
Recurring EPS (%)	n/m	n/m	(2.8)	(24.5)	13.8
Reported EPS (%)	n/m	n/m	(2.8)	(24.5)	13.8
Operating performance					
Gross margin inc depreciation (%)	9.9	24.9	22.7	18.2	18.4
Operating EBITDA margin (%)	10.1	25.9	22.5	18.2	18.3
Operating EBIT margin (%)	4.6	20.8	18.8	14.4	14.8
Net margin (%)	(0.4)	6.7	5.5	4.0	4.2
Effective tax rate (%)	85.4	26.4	26.7	27.2	27.1
Dividend payout on recurring profit (%)	0.0	0.0	0.0	0.0	0.0
Interest cover (x)	2.4	17.7	17.2	16.4	16.9
Inventory days	62.3	51.2	47.1	47.4	46.2
Debtor days	22.3	19.4	25.4	27.1	26.5
Creditor days	95.6	76.7	80.6	80.9	79.0
Operating ROIC (%)	0.6	19.3	21.2	15.4	14.9
ROIC (%)	0.5	17.3	18.8	14.1	13.8
ROE (%)	(0.8)	16.9	12.1	7.5	8.2
ROA (%)	0.4	12.3	11.0	7.7	8.2

*Pre exceptional pre-goodwill and fully diluted

Revenue By Division (USD m)	2015A	2016A	2017E	2018E	2019E
Petrochemical	-	1,930	2,299	2,386	2,597
Others	-	31	37	39	42

Sources: Barito Pacific; BNP Paribas estimates

Financial statements

Barito Pacific

Cash Flow (USD m) Year Ending Dec	2015A	2016A	2017E	2018E	2019E
Recurring net profit	(5)	132	128	97	110
Depreciation	77	100	88	91	91
Associates & minorities	4	5	4	(3)	(4)
Other non-cash items	113	170	130	134	108
Recurring cash flow	**190**	**407**	**350**	**319**	**305**
Change in working capital	(47)	4	6	10	11
Capex - maintenance	0	0	0	0	0
Capex - new investment	(221)	(133)	(125)	(301)	(385)
Free cash flow to equity	**(78)**	**279**	**231**	**28**	**(69)**
Net acquisitions & disposals	(46)	0	0	0	0
Dividends paid	(3)	(22)	(75)	(59)	(48)
Non recurring cash flows	154	19	5	(0)	(1)
Net cash flow	**27**	**276**	**161**	**(31)**	**(119)**
Equity finance	0	0	378	0	0
Debt finance	(142)	(72)	0	0	0
Movement in cash	**(115)**	**203**	**539**	**(31)**	**(119)**
Per share (USD)					
Recurring cash flow per share	0.01	0.03	0.03	0.02	0.02
FCF to equity per share	(0.0056)	0.02	0.02	0.0020	(0.0050)

Balance Sheet (USD m) Year Ending Dec	2015A	2016A	2017E	2018E	2019E
Working capital assets	331	407	475	490	529
Working capital liabilities	(406)	(545)	(581)	(596)	(591)
Net working capital	**(75)**	**(137)**	**(106)**	**(106)**	**(62)**
Tangible fixed assets	1,662	1,659	1,695	1,904	2,198
Operating invested capital	**1,587**	**1,522**	**1,589**	**1,798**	**2,136**
Goodwill	0	0	0	0	0
Other intangible assets	89	77	77	77	77
Investments	54	106	102	105	109
Other assets	0	0	0	0	0
Invested capital	**1,730**	**1,705**	**1,768**	**1,981**	**2,322**
Cash & equivalents	(118)	(321)	(861)	(829)	(711)
Short term debt	0	0	0	0	0
Long term debt *	476	404	404	404	404
Net debt	**358**	**82**	**(457)**	**(426)**	**(307)**
Deferred tax	0	0	0	0	0
Other liabilities	176	174	174	174	174
Total equity	715	842	1,273	1,310	1,372
Minority interests	481	607	779	922	1,084
Invested capital	**1,730**	**1,705**	**1,768**	**1,981**	**2,322**

* includes convertables and preferred stock which is being treated as debt

Per share (USD)					
Book value per share	0.05	0.06	0.09	0.09	0.10
Tangible book value per share	0.04	0.05	0.09	0.09	0.09
Financial strength					
Net debt/equity (%)	29.9	5.7	(22.3)	(19.1)	(12.5)
Net debt/total assets (%)	15.9	3.2	(14.2)	(12.5)	(8.5)
Current ratio (x)	1.1	1.3	2.3	2.2	2.1
CF interest cover (x)	6.6	19.1	15.1	16.4	14.5

Valuation	2015A	2016A	2017E	2018E	2019E
Recurring P/E (x) *	n/a	15.1	15.6	20.6	18.1
Recurring P/E @ target price (x) *	(385.3)	15.7	16.1	21.4	18.8
Reported P/E (x)	n/a	15.1	15.6	20.6	18.1
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
P/CF (x)	10.5	4.9	5.7	6.2	6.5
P/FCF (x)	(25.6)	7.1	8.6	70.0	(28.8)
Price/book (x)	2.8	2.4	1.6	1.5	1.5
Price/tangible book (x)	3.2	2.6	1.7	1.6	1.5
EV/EBITDA (x)	20.0	5.3	4.4	5.7	5.7
EV/EBITDA @ target price (x)	5.9	1.4	0.6	1.1	1.6
EV/invested capital (x)	1.6	1.6	1.3	1.3	1.2

* Pre exceptional & pre-goodwill and fully diluted

Sources: Barito Pacific; BNP Paribas estimates

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Yong Liang Por, BNP Paribas Securities (Asia) Ltd, +852 2825 1877, yongliang.por@asia.bnpparibas.com

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Company	**Ticker**	**Price**	**Rating**	**Valuation & Risks**
Barito Pacific	BRPT IJ	IDR 1,930	Hold	SoTP. Upside risk: rising chemical prices and margins. Downside risk: a spike in crude prices

Sources: Factset, BNP Paribas

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